

MICHIGAN CORPORATION & SECURITIES BUREAU

RELEASE NO. 89-6-S

TO: ALL INTERESTED PARTIES

SUBJECT: Applicability of Section 402(a)(8) Exemption to Not for Private Profit Homeowners or Condominium Associations

General Background:

The Bureau has received a number of requests concerning the exemption from registration contained in Section 402(a)(8) of the Michigan Uniform Securities Act, 1964 PA 265, as amended (the "Act"); as it pertains to not for private profit Homeowners or Condominium Associations ("Associations").

Section 402(a)(8) of the Act exempts from registration "any security issued by any person organized and operated not for private profit but exclusively for religious, educational benevolent, charitable, fraternal, social, athletic, or reformatory purposes, or as a chamber of commerce or trade or professional association. However, unless the securities are part of an issue having an aggregate sales price of \$250,000.00 or less and are sold only to bona fide members of the issuing organization and are sold without payment of a commission or consulting fee then the issuer shall do all of the following...."

Action or Interpretation:

The Bureau will interpret Section 402(a)(8) of the Act to include the offer and sale of memberships in an Association, so long as annual Association membership costs do not exceed \$100.00 per household. This interpretation is based upon a conclusion that an Association formed for the purpose of improving and enhancing its neighborhood is sufficiently similar to those listed in Section 402(a)(8) that, so long as the amount of the investment is limited, the public interest and protection of investors do not require registration of the memberships.

Please note that prior to any offer or sale of memberships in an Association under Section 402(a)(8), an authorized representative of the Association should submit, in writing, a list of the proposed sales agents, indicating their name, address and occupation; and request that such persons be excluded from the definition of "agent" under Section 401(b) of the Act. In addition, the authorized representative should state that the proposed sales agents will sell the securities of the Association to only bona fide members of the Association without receiving a commission or consulting fee.

AUTHORITY:

Act 265 of 1964, Section 413(f).

Signed by Carl L. Tyson, Director
Corporation & Securities Bureau
Dated: April 14, 1989